

Zurich Investments

Equity Income Fund

Fund Focus - October 2018

Fund performance

The Fund declined in October, though less so than the index. The fund has performed relatively well through the recent period of market weakness.

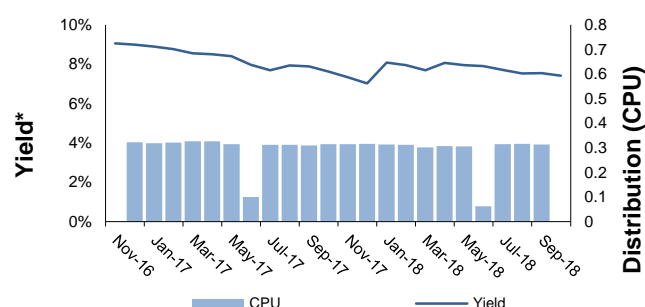
In financials, National Australia Bank was the worst of the big banks during the month. The Fund has written calls over the stock and will retain these into the coming dividend period. The Fund also holds written calls over ANZ, Westpac and Commonwealth Bank of Australia. With both ANZ and Westpac trading ex-dividend in November, the investment team will look to maintain the existing physical holdings given that the grossed up yields looks very attractive.

In healthcare, CSL fell due to a mix of profit taking and market-wide selling. The Fund continues to hold its exposure largely through short cash-backed puts having exited the physical shares in August. With volatility close to two year highs, this positioning offers solid returns on a risk-reward basis.

Resource and energy names were also caught up in the sell-off. The oil names were particularly hard hit as a falling oil price gave extra impetus to the selling. Woodside Petroleum and Oil Search were the worst performers. The investment team wrote calls across both names, which have since been covered post the move lower.

Woolworths performed well during October. The Fund is partially written in the stock and the investment team will look to roll the calls to a higher strike as the November expiry approaches.

Running yield including franking



*Yield is calculated as the rolling average of 12 months distribution divided by average daily mid price.

Distribution information

	Oct 2018 (CPU)	Sep 2018 (CPU)	Aug 2018 (CPU)
Dividend Income	0.0000	0.0000	0.0000
Interest Income	0.0000	0.0000	0.0000
Other Income (includes option income)	0.2987	0.3137	0.3708
Total Distribution	0.2987	0.3137	0.3708

This table only provides an indication of the split of income. Actual splits will be provided in the Annual Tax Statement.

Level of Franking

Fin Yr Jun-18	Fin Yr Jun-17	Fin Yr Jun-16	Fin Yr Jun-15
%	%	%	%
82.09	80.11	75.40	79.33

Franking credits are distributed at 30 June.

Fund Performance after fees

As at 31 October 2018

	1 month %	3 months %	1 year %	3 years %pa	5 years %pa	Since inception %pa
Fund						
Distribution ¹	0.48	1.44	5.48	5.97	6.58	8.31
Growth	-4.81	-5.14	-4.98	-2.32	-4.84	-4.20
Total Return	-4.33	-3.71	0.50	3.65	1.73	4.11
Fund (including franking)²						
Distribution ²	0.48	1.44	7.15	7.87	8.76	10.21
Total Return	-4.33	-3.71	2.17	5.55	3.91	7.68
S&P/ASX 50						
Yield	0.40	1.15	4.62	4.78	4.77	4.69
Total Return	-5.44	-5.82	2.71	7.32	5.11	5.74

¹ Based on monthly distributions.

² Franking returns are based on financial YTD franking credits and are only an estimate.

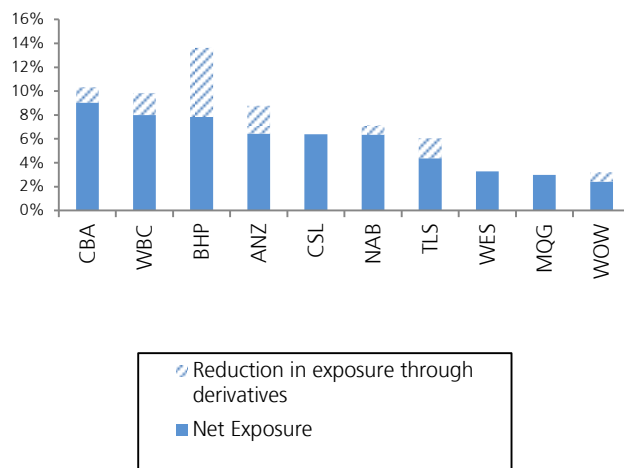
Market commentary

The Australian equities market had a difficult month, following global markets lower. Most major names struggled in the sell-off, with the banks and AMP remaining under pressure. Shorter dated index options (out to March 2019) have been aggressively bid following an increased demand for protection. Volatility sits at relatively elevated levels.

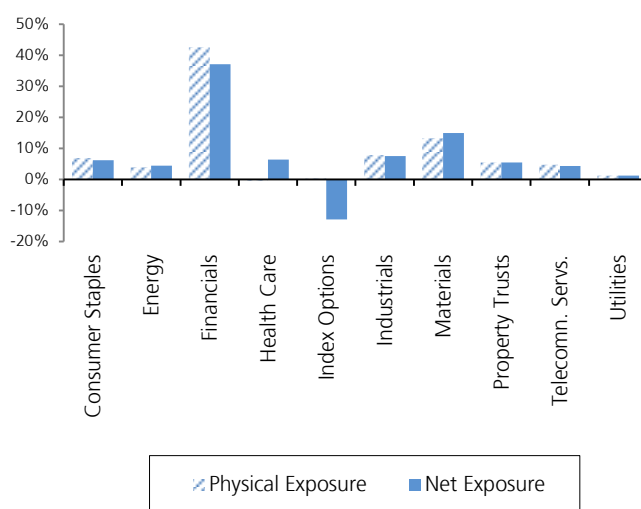
Volatility and Index Positioning

The Fund finished the month with 76% market exposure. The investment team has maintained the existing S&P/ASX200 Index long put position which has been partly funded by short out-of-the-money calls. The long put position partially protected a large percentage of the Fund from the worst of the sell down. With the market becoming increasingly volatile in recent weeks, the index protection continues to make up an important part of the overall risk reduction strategy for the Fund.

Top 10 Portfolio exposure



Sector Exposure



Net Market Exposure

	Portfolio	ASX 50
Australian Equity	86%	100%
Cash	14%	-
Derivative Exposure	-11%	-
Net Market Exposure	75%	100%

Fund Volatility

As at 31 October 2018	1 year %	3 years %pa	Since inception %pa
Fund Volatility ³	6.56	7.67	9.66
S&P/ASX 50	9.28	9.68	13.15

³ Measured as standard deviation of monthly returns

¹ Performance returns quoted are compound rates of return calculated on exit prices and assume reinvestment of distributions. Returns are calculated net of all ongoing fees and any taxes payable by the fund. Total return includes both growth and distribution returns. Growth return is the change in exit price over the relevant period. The benchmark return shown is a gross return. Please note that figures shown are rounded to one decimal place, therefore some rounding errors may occur.

Past performance is not a reliable indicator of future performance.

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More information

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